

**MINNESOTA CHILD CARE RESOURCE
AND REFERRAL NETWORK
(A Non-Profit Corporation)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2008**



MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

(A Non-Profit Corporation)

FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

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MAHONEY
ULBRICH
CHRISTIANSEN
RUSS P.A.
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

To the Board of Directors
Minnesota Child Care Resource and Referral Network
Saint Paul, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Minnesota Child Care Resource and Referral Network (the Network) as of September 30, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Network's 2007 financial statements and, in our report dated January 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Child Care Resource and Referral Network as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2009, on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Minnesota Child Care Resource and Referral Network taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
January 8, 2009

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FINANCIAL POSITION

September 30, 2008
(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 462,605	\$ 416,913
Cash - restricted	667,535	1,061,774
Total cash	<u>1,130,140</u>	<u>1,478,687</u>
Certificates of deposit	304,135	-
Grants receivable	665,423	452,615
Contributions receivable	125,000	7,500
Prepaid expenses	19,928	15,790
Total current assets	<u>2,244,626</u>	<u>1,954,592</u>
Equipment	67,548	46,621
Less accumulated depreciation	<u>(42,331)</u>	<u>(34,788)</u>
	25,217	11,833
Total assets	<u>\$ 2,269,843</u>	<u>\$ 1,966,425</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 25,262	\$ 19,113
R.E.E.T.A.I.N. scholarships payable	228,000	190,500
Accrued expenses	70,043	50,257
Refundable advances	1,216,268	1,101,595
Total current liabilities	<u>1,539,573</u>	<u>1,361,465</u>
Net assets:		
Unrestricted net assets	412,445	375,166
Temporarily restricted net assets	<u>317,825</u>	<u>229,794</u>
Total net assets	<u>730,270</u>	<u>604,960</u>
Total liabilities and net assets	<u>\$ 2,269,843</u>	<u>\$ 1,966,425</u>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

	2008			2007
	Unrestricted	Temporarily restricted	Total	
Support and revenue:				
Government contracts	\$ 2,735,267	\$ -	\$ 2,735,267	\$ 2,097,327
Contributions	10,000	263,000	273,000	112,510
Program income	60,606	-	60,606	74,760
Investment income	26,042	-	26,042	41,899
Miscellaneous	3,239	-	3,239	1,017
Net assets released from restrictions upon satisfaction of program restrictions	174,969	(174,969)	-	-
Total support and revenue	3,010,123	88,031	3,098,154	2,327,513
Expenses:				
Program services	2,845,251	-	2,845,251	2,291,401
Management and general	120,622	-	120,622	85,888
Fundraising	6,971	-	6,971	7,485
Total expenses	2,972,844	-	2,972,844	2,384,774
Change in net assets	37,279	88,031	125,310	(57,261)
Net assets, beginning of year	375,166	229,794	604,960	662,221
Net assets, end of year	\$ 412,445	\$ 317,825	\$ 730,270	\$ 604,960

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

2008

	Program Services										Total	
	CCR&R System Support	TEACH	RETAIN	Eager To Learn	Surge Support	Parent Aware	Other	Total program services	Management and general	Fund raising		Total
Salaries	\$ 358,315	\$ 75,468	\$ 40,689	\$ 77,962	\$ 38,916	\$ 212,211	\$ 49,982	\$ 853,543	\$ 49,367	\$ 5,521	\$ 908,431	\$ 711,147
Payroll taxes	30,193	6,402	3,533	6,813	3,444	17,660	2,774	70,819	3,914	409	75,142	60,973
Employee benefits	59,103	11,478	10,783	15,075	3,357	28,720	4,356	132,872	6,181	682	139,735	95,292
Retirement plan	12,297	1,011	479	170	2,042	2,471	777	19,247	1,731	205	21,183	20,827
Total employee compensation	459,908	94,359	55,484	100,020	47,759	261,062	57,889	1,076,481	61,193	6,817	1,144,491	888,239
Insurance	2,518	274	211	397	272	1,132	83	4,887	208	-	5,095	6,192
Scholarships and grants	-	255,808	309,350	-	-	142,480	-	707,638	-	-	707,638	518,709
Evaluation	46,500	-	-	-	-	-	-	46,500	-	-	46,500	77,500
Advertising	410	200	-	100	-	-	-	710	-	-	710	7,320
Accounting and legal	18,390	500	500	2,532	525	4,300	974	24,215	27,929	-	52,144	32,305
Office supplies	9,520	2,982	637	2,532	788	8,483	319	25,916	953	-	26,869	25,774
Printing	18,732	478	210	439	370	1,157	150	21,536	1,275	12	22,823	34,508
Telephone	16,609	1,604	1,060	8,982	900	3,599	319	33,073	696	44	33,813	24,396
Postage	2,708	1,985	1,536	2,680	838	3,101	360	13,208	1,031	60	14,299	12,269
Rent	45,090	4,239	2,943	2,454	5,624	12,218	807	73,375	5,463	38	78,876	75,022
Equipment	46,201	-	-	-	311	4,294	-	50,806	-	-	50,806	24,589
Database development	151,206	-	-	-	-	-	-	151,206	-	-	151,206	150,161
Internet	577	-	-	35	-	41	-	653	-	-	653	686
Publications, subscriptions and dues	10,456	1,725	-	1,298	-	-	-	13,479	2,518	-	15,997	7,053
Public relations and marketing	33,490	4,125	2,093	12,772	1,000	38,962	24,419	116,861	6,671	-	123,532	65,740
Staff travel and meals	11,429	1,236	749	6,902	3,343	11,031	3,704	38,394	3,830	-	42,224	36,065
Committee meetings and conferences	26,644	903	362	390	353	-	7,913	36,565	94	-	36,659	70,804
Staff development	19,412	2,186	100	918	-	665	-	23,281	912	-	24,193	6,477
Training	55,014	-	-	38,726	15,185	4,035	1,300	114,260	-	-	114,260	64,749
Pass-through payments to other agencies	52,661	-	-	2,372	-	2,552	32,541	90,126	-	-	90,126	140,799
Depreciation	-	-	-	-	-	-	-	-	7,543	-	7,543	5,877
Miscellaneous	12	5	-	2,173	-	-	-	2,190	6	-	2,196	2,233
Consulting	119,322	285	-	12,709	1,700	575	45,300	179,891	300	-	180,191	107,307
	\$1,146,809	\$ 372,894	\$ 375,235	\$ 195,899	\$ 78,968	\$ 499,687	\$ 175,759	\$ 2,845,251	\$ 120,622	\$ 6,971	\$ 2,972,844	\$ 2,384,774

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007</u>
Increase (decrease) in cash		
Cash flows from operating activities:		
Change in net assets	\$ 125,310	\$ (57,261)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	7,543	5,877
Interest income reinvested	(4,135)	-
Grants receivable	(212,808)	131,037
Contributions receivable	(117,500)	127,500
Prepaid expenses	(4,138)	(2,555)
Accounts payable	6,149	(84,371)
R.E.E.T.A.I.N. scholarships payable	37,500	(76,750)
Accrued expenses	19,786	3,275
Refundable advances	114,673	178,409
Net cash from operating activities	<u>(27,620)</u>	<u>225,161</u>
Cash flows from investing activities:		
Payments for equipment	(20,927)	-
Purchase of certificates of deposit	(300,000)	-
Net cash from investing activities	<u>(320,927)</u>	<u>-</u>
Net increase (decrease) in cash	(348,547)	225,161
Cash, beginning of year	<u>1,478,687</u>	<u>1,253,526</u>
Cash, end of year	<u>\$ 1,130,140</u>	<u>\$ 1,478,687</u>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

1. ORGANIZATION

Minnesota Child Care Resource and Referral Network (the Network) is a not-for-profit corporation which provides statewide leadership in shaping collaborations that build a diverse, high quality child care system accessible to all Minnesota families. The Network's goal is to ensure a solid infrastructure for quality child care in the state. Approximately 85% and 82% of the Network's funding was provided from pass-through grants of money from the U.S. Department of Health and Human Services in 2008 and 2007, respectively. Other support is provided from contributions from foundations and individuals.

The Network has several programs to achieve its purpose which include:

Child Care Resource and Referral (CCR&R) System Support The Network provides coordination, training/technical assistance and infrastructure support to the 16 agencies that are contracted by the Department of Human Services to provide community based activities, including child care referrals and consultation for parents, support for child care programs, training for early care and education providers, and community networking. The CCR&R system and duties are included in state statutes.

The T.E.A.C.H.® Early Childhood Minnesota scholarship program (Teacher Education and Compensation Helps) is an education scholarship program for early care and education providers, with the goal of increasing the competency of staff and providers, as well as reducing staff/provider turnover by providing incentives to stay in the field.

The R.E.E.T.A.I.N. workforce retention provides grants to child care providers who have already graduated with at least a two-year associate degree or currently hold a CDA Credential. As in the T.E.A.C.H. program, these grants are available to providers who have been employed in their current licensed setting for at least one year, and who work at least 1,560 hours per year with the same group of children. The Program strives to both increase and reward quality, and decrease staff turn-over in the field of early care and education.

The Eager-to-Learn on-line learning program provides early care and education providers with high quality, affordable in-service training opportunities using electronic technologies. Through multi-week classes with weekly scheduled chat sessions, the program offers professional development opportunities that increase idea sharing, while reducing geographic, economic, and other barriers.

The program also features information and education about e-learning, links to other e-learning sites, and a virtual meeting site for professional early childhood and school-age groups—saving them money on travel and meeting costs.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

1. ORGANIZATION (Continued)

Surge Support is a program funded by the U.S. Army to provide respite child care for Army Reserve and National Guard families in Minnesota who have a family member that is deployed. The program also includes training opportunities for child care providers to help them in their support of military families and children, and stipends for those who care for these children on an ongoing basis.

Parent Aware is a pilot program that will test a “quality rating system” for child care settings in four Minnesota communities, and provide information to parents about the results of these ratings. The project also includes technical assistance and improvement support for providers who agree to participate in the rating process.

Other programs consist of statewide conference support, and additional funding for pilot projects, training, and support for the basic work of the CCR&R system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation – Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes.

The Network has no permanently restricted net assets.

Cash – For purposes of the Statement of Cash Flows, the Network considers all highly liquid instruments purchased with an original maturity of three months or less to be cash. Certificates of deposit are excluded from cash.

Restricted Cash – Restricted cash consists of donor restricted contributions and advances from government grants and contracts.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk – The Network places its cash and owns certificates of deposit at one large banking institution. At September 30, 2008, these accounts exceeded the FDIC limit by \$931,487. The certificates of deposit are fully insured by the FDIC. The Network does not believe it is exposed to any significant credit risk on these funds.

Certificates of Deposit – Certificates of deposit are purchased with an original maturity of three to six months.

Equipment – Equipment is recorded at cost. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized. Depreciation is recorded using the straight-line method over three to seven year estimated lives.

R.E.E.T.A.I.N. Scholarships Payable – R.E.E.T.A.I.N. scholarships are recorded when they are awarded to the individuals.

Contributions – Contributions are recognized when the donor makes an unconditional commitment to give to the Network. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when restrictions expire or the condition is met.

Government Grants and Contracts – Government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances.

Functional Expenses – Expenses have been recorded in program service and support service categories based on whether an expense can be identified to either area. In the absence of specific identification, expenses have been allocated based on staff time spent in each category. The time allocations are based on management estimates.

Comparative Total Column – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Because a presentation in conformity with generally accepted accounting principles requires inclusion of the full details of the summarized information, these financial statements should be read in conjunction with the Network's financial statements for the year ended September 30, 2007, from which the summarized information was derived.

Income Taxes – The Network is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due in 2009.

4. **REFUNDABLE ADVANCES**

Refundable advances are for the following programs:

	<u>2008</u>	<u>2007</u>
CCR&R System Support	\$ 820,365	\$ 383,157
Parent Aware	107,387	114,619
Professional Development Grant	-	472,551
TEACH	282,428	125,000
Other	6,088	6,268
	<u>\$ 1,216,268</u>	<u>\$ 1,101,595</u>

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following:

	<u>2008</u>	<u>2007</u>
TEACH	\$ 64,230	\$ 54,130
Service Delivery	253,595	135,539
MELF	-	675
Parent Outreach	-	39,450
	<u>\$ 317,825</u>	<u>\$ 229,794</u>

Temporarily restricted net assets consist of the following:

	<u>2008</u>	<u>2007</u>
Cash - restricted	\$ 192,825	\$ 222,294
Contributions receivable	125,000	7,500
	<u>\$ 317,825</u>	<u>\$ 229,794</u>

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

6. **ECONOMIC DEPENDENCY**

The Network received approximately 85% of its support from federal and state governments. If there is a significant reduction in this level of support, the Network could be adversely affected.

7. **RETIREMENT PLAN**

The Network has a retirement savings plan which is intended to satisfy the requirements of Section 403(b) of the Internal Revenue Code. Subject to certain plan requirements, employees of the Network are eligible to participate in this plan. As of July 1, 2006, the plan changed to a matched plan. Matched contributions will be made by the Network at a maximum rate to be determined annually and based on the availability of funds. Prior to July 1, 2006, any employer contribution was at the discretion of the Board of Directors. The Network's retirement plan expense was \$21,183 and \$20,827 in 2008 and 2007, respectively.

8. **LEASE**

The Network leases its office space under the terms of an operating lease agreement that expires on December 31, 2010. In addition to base rent for operating space, the Network pays its share of operating costs. Total rental expense was \$78,876 and \$75,022 for the years ended September 30, 2008 and 2007, respectively.

Future minimum rental payments are as follows:

2009	\$ 76,318
2010	77,734
2011	19,522
Later	-
	<hr/>
	<u>\$ 173,574</u>

9. **COMMITMENTS AND CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2008
(With Comparative Totals for 2007)

10. **RELATED PARTY TRANSACTIONS**

The Executive Director became a member of the National Association of Child Care Resource and Referral Agencies (NACCRA) board of directors in 2007. The Network has a contract with NACCRA to provide surge support child care services to deployed Army National Guard and Reserve Families. The total value of the contract is \$131,690. The contract began in 2007 and \$69,826 and \$49,905 was paid to the Network for the years ended September 30, 2008 and 2007, respectively.

SUPPLEMENTAL INFORMATION

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Federal Expenditures
Department of Health and Human Services:		
Passed through State of Minnesota Child Care and Development Block Grant	93.575	\$ 2,217,059
Passed through Minneapolis Youth Coordinating Board Early Learning Fund Program	93.577	<u>8,358</u>
Total Department of Health and Human Services		2,225,417
Department of Education:		
Passed through University of Minnesota Early Childhood Educator Professional Development Program	84.349A	<u>13,682</u>
Total		<u>\$ 2,239,099</u>

Note 1. This schedule includes the federal grant activity of Minnesota Child Care Resource and Referral Network and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



MAHONEY
ULBRICH
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RUSS P.A.
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30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Minnesota Child Care Resource and Referral Network
Saint Paul, Minnesota

We have audited the financial statements of Minnesota Child Care Resource and Referral Network (the Organization) as of and for the year ended September 30, 2008, and have issued our report thereon dated January 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated January 8, 2009.

This report is intended solely for the information and use of the Board, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Saint Paul, Minnesota
January 8, 2009

*Mahoney Ulbrich
Christiansen Russ P.A.*



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30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Minnesota Child Care Resource and Referral Network
Saint Paul, Minnesota

Compliance - We have audited the compliance of Minnesota Child Care Resource and Referral Network (the Organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Minnesota Child Care Resource and Referral Network complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance - The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Saint Paul, Minnesota
January 8, 2009

*Mahoney Ulbrich
Christiansen Russ P.C.*

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued - unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? yes none reported

Major program: CFDA 93.575 – Child Care and Development Block Grant

Type of auditor's report issued on compliance for major program – unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? yes no

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT: NONE

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT: NONE

SECTION IV – PRIOR AUDIT FINDINGS AND QUESTIONED COSTS: NONE